

How Can Internet Fraud Be Avoided?

Avoiding Fraud

For a list of “Ten Tips for Online Investors,” please visit Indiana Secretary of State Todd Rokita’s website at www.sos.IN.gov, and follow the link for “investor education.”

Secretary Rokita’s office would also like to encourage investors to see the full version of NASAA’s *Cyberspace Fraud and Abuse*. This can be found by visiting NASAA’s website at www.nasaa.org and choosing “investor education” from the drop-down menu. The link titled “Tips for Investors” contains the cyberspace article.

Another valuable resource is www.investingonline.org. This website offers unbiased, non-commercial facts about investing online and also has an interactive trading simulator.

Secretary of State Todd Rokita’s Efforts



The Honorable Todd Rokita
Indiana Secretary of State

Indiana Secretary of State
Securities Division

James A. Joven
Securities Commissioner

Stephanie L. Beck
Investor Education Coordinator



*To request additional copies of this or other
materials, please contact*

Indiana Secretary of State
Securities Division
Attn: Stephanie Beck
302 W. Washington Street
Room E-111
Indianapolis, IN 46204
317.232.0734
sbeck@sos.state.in.us
Toll-free 1-800-223-8791

Indiana Secretary of State
Todd Rokita

INTERNET
FRAUD

www.sos.IN.gov

What is Internet Fraud?

Unwary investors are in danger today of being taken for a ride on the information superhighway. An estimated four million U.S. households that have access to the major online services are being exposed to hundreds of fraudulent and abusive investment schemes, including stock manipulations, pyramid scams, and Ponzi schemes.

Many con artists today are technologically savvy. Swindlers are using the Internet to pull off their high-tech schemes in increasing numbers. Technology makes it easier for con artists to reach millions of people while masking their identities through false names and misinformation. Whether in the form of investments, work-at-home opportunities, Nigerian "officials," or new business ventures, almost anyone with an e-mail account has been exposed to their solicitations. The ever-increasing use of Spam and pop-up windows gives con artists the chance to make offers to millions of people on any given day. Now, anytime an individual is logged on, he or she is likely to be solicited by unwanted offers for everything from personal ads to business opportunities. Technology advancement on the Internet is moving far too quickly for privacy options to keep up. The growing number spam e-mails and pop-ups continue to increase the necessity for people to arm themselves with information. Education is the only true way to avoid becoming a scam victim.

Examples of Internet Fraud

In May 2003, the United States Department of Justice busted one of the largest Internet investment fraud causes in the country. Alyn Waage (Canada) and Michael Webb (California) pleaded guilty to charges relating to the Tri-West Investment Club, an Internet-based investment scheme that brought in an estimated \$60 million from its unsuspecting victims. The con men developed a website that offered investments in prime bank notes, promising rates of return up to 120 percent plus additional returns on any referrals. Not only did the club make promises of high return, but it also claimed to "guarantee" the investments. **An informed investor should understand that extreme rates of return, guarantees on investments, and a focus on referrals are all three major warnings of a fraudulent investment.** In addition to these red flags, the investment company was not registered with state or federal officials, as the law required them to be. The investors' money was never invested in prime bank notes, but rather was used to pay off some of the earlier investors. Waage and Webb spent a vast majority of the money on an extravagant lifestyle, which was pulled from beneath them once they were brought to justice. There are hundreds of other types of scams solicited via the Internet that are just as dangerous, including the following:

1. ***Nigerian 4-1-9 Scams***
2. ***"Pump-and-Dump" Investment E-mails***
3. ***Ponzi Schemes***
4. ***Pyramid Schemes***
5. ***International Lotteries***
6. ***Work-at-Home Schemes***

For specific information on any of these schemes, please contact the Investor Education Coordinator in Secretary of State Todd Rokita's office at (317) 232-0734.

Other Resources

For hard copies of the information listed below, please contact Indiana Secretary of State Todd Rokita's Investor Education Coordinator at (317) 232-0734.

The ***Federal Trade Commission*** has information regarding these forms of Internet fraud. Information about these can be obtained via the web at www.ftc.gov – under the "Consumers" section, click on "E-commerce & the Internet."

- Internet Auctions
- Internet Access Services
- Credit Card Fraud
- International Modem Dialing
- Web Cramming
- International Lottery Scams
- Chain Letters
- Medical Billing Opportunities
- Multilevel Marketing Plans/Pyramids
- Travel and Vacation
- Business Opportunities
- Investments
- Health Care Products/Services

The ***U.S. Department of Justice*** has information regarding the following. This information can be obtained via the web at www.internetfraud.usdoj.gov.

- Auction and Retail Schemes Online
- Business Opportunities/Work-at-Home Schemes
- Identity Theft and Fraud
- Market Manipulation Schemes
- Credit Card Schemes